



HOKURIKU

Fiscal Year ended March 31, 2024 Financial Results Briefing Material

Jun 2024

HOKURIKU ELECTRIC INDUSTRY Co.,LTD

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- 2. FY2024 Financial Forecast

- 3. Initiatives for Return to Shareholders and
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- 4. Efforts to Achieve the Medium-
to Long-Term Vision



1. FY2023

Financial Results

- Summary of Financial Results
- Sales Amount by Product
- Sales Amount Breakdown by Market
- Changes in Operating income (YoY)
- Balance Sheet
- Cash Flows

Summary of Financial Results

- Net sales: JPY 40.81 Bn -4.65 Bn YoY
- Operating income: JPY 2.27 Bn -0.67 Bn YoY
- Ordinary income: JPY 3.11 Bn -0.47 Bn YoY

Foreign exchange gains due to depreciation of the Japanese yen: 0.71 Bn.

- Profit attributable to owners of parent: JPY 2.54 Bn +1.89 Bn YoY

(100 Millions of yen)

	FY2022 Results	FY2023 Results	YoY Change	
			Amount	%
Net sales	454.6	408.1	-46.5	-10.2
Operating income	29.4	22.7	-6.7	-22.8
Ratio of operating income to net sales	6.5%	5.6%	—	—
Ordinary income	35.8	31.1	-4.7	-13.2
Profit attributable to owners of parent	6.5	25.4	+18.9	+292.0
Exchange rate (End of term) 1US\$=JPY	133.53	151.41	—	—

Sales Amount by Product

- **Modules:** Decrease in sales for display panels.
- **Electronic Component Devices:** Decrease in sales due to prolonged inventory adjustment by customers as a result of falling demand in the consumer electronics sector.

Module products

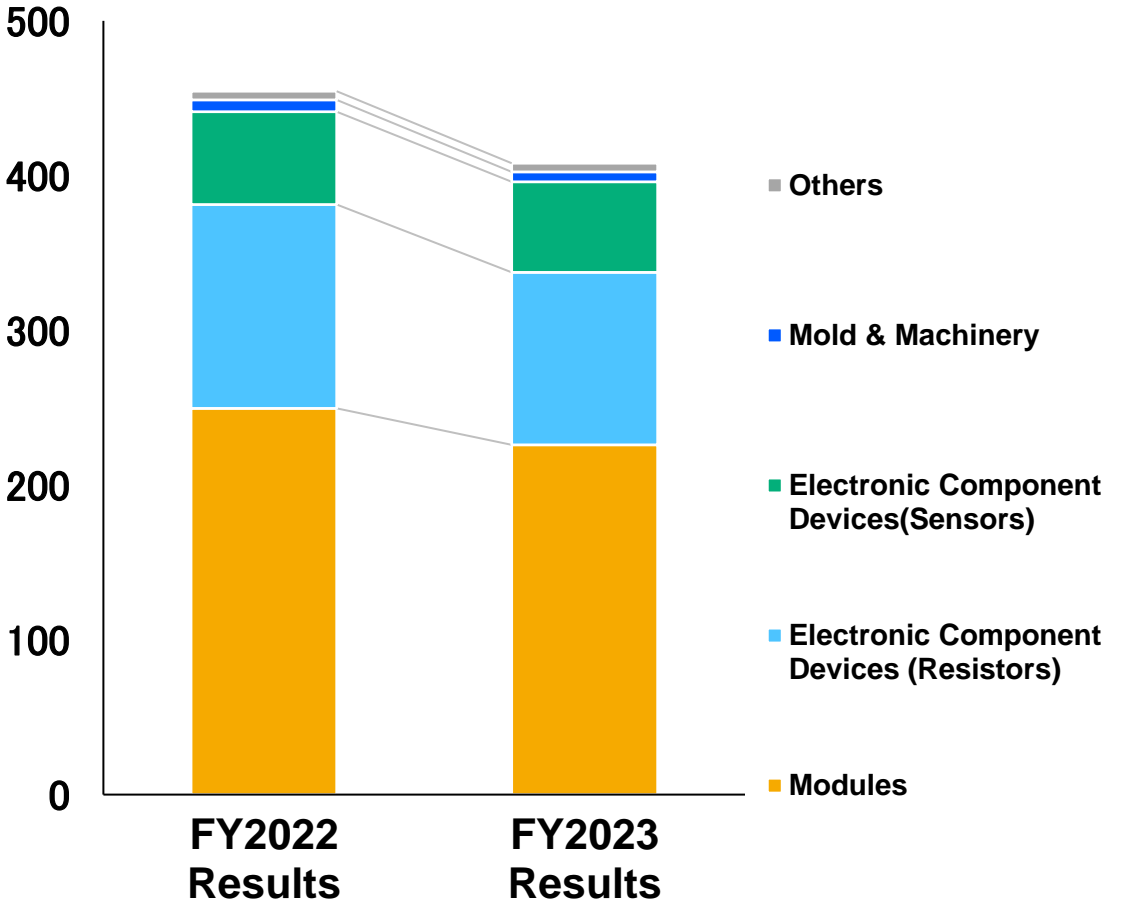
Sales JPY 22.61 Bn -2.35 Bn YoY

Electronic Component Devices products

Sales JPY 17.00 Bn -2.18 Bn YoY

(100 Millions of yen)

	FY2022 Results		FY2023 Results		YoY Change	
		%		%	Amount	%
Modules	249.5	54.9	226.1	55.4	-23.5	-9.4
Electronic Component Devices (Resistors)	131.9	29.0	111.6	27.3	-20.3	-15.4
Electronic Component Devices (Sensors)	59.9	13.2	58.4	14.3	-1.5	-2.5
Mold & Machinery	7.6	1.7	6.6	1.6	-1.1	-14.1
Others	5.6	1.2	5.5	1.4	-0.1	-1.6
Total	454.6	100.0	408.1	100.0	-46.5	-10.2



Sales Amount Breakdown by Market

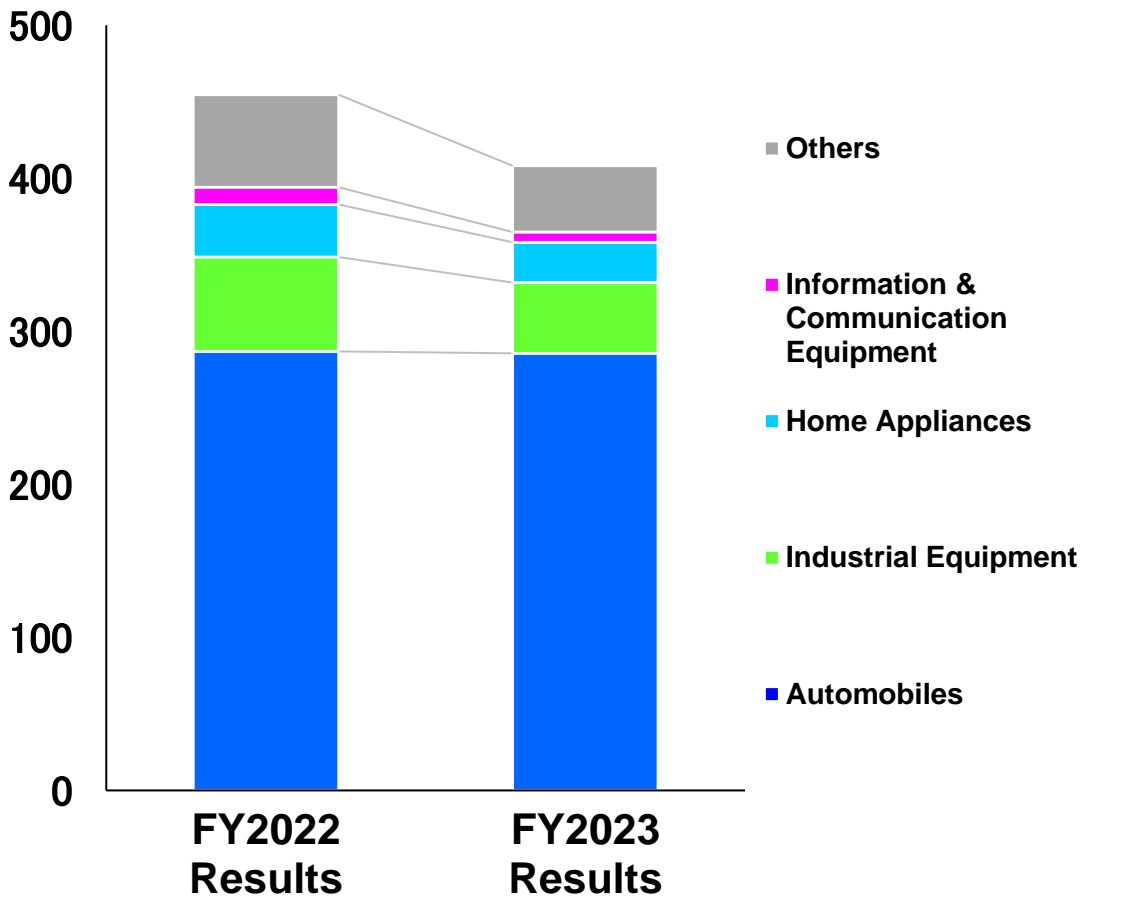
> **Automobiles market sales**

Although demand was strong, overall sales amount remained flat due to decline in orders for display panels.

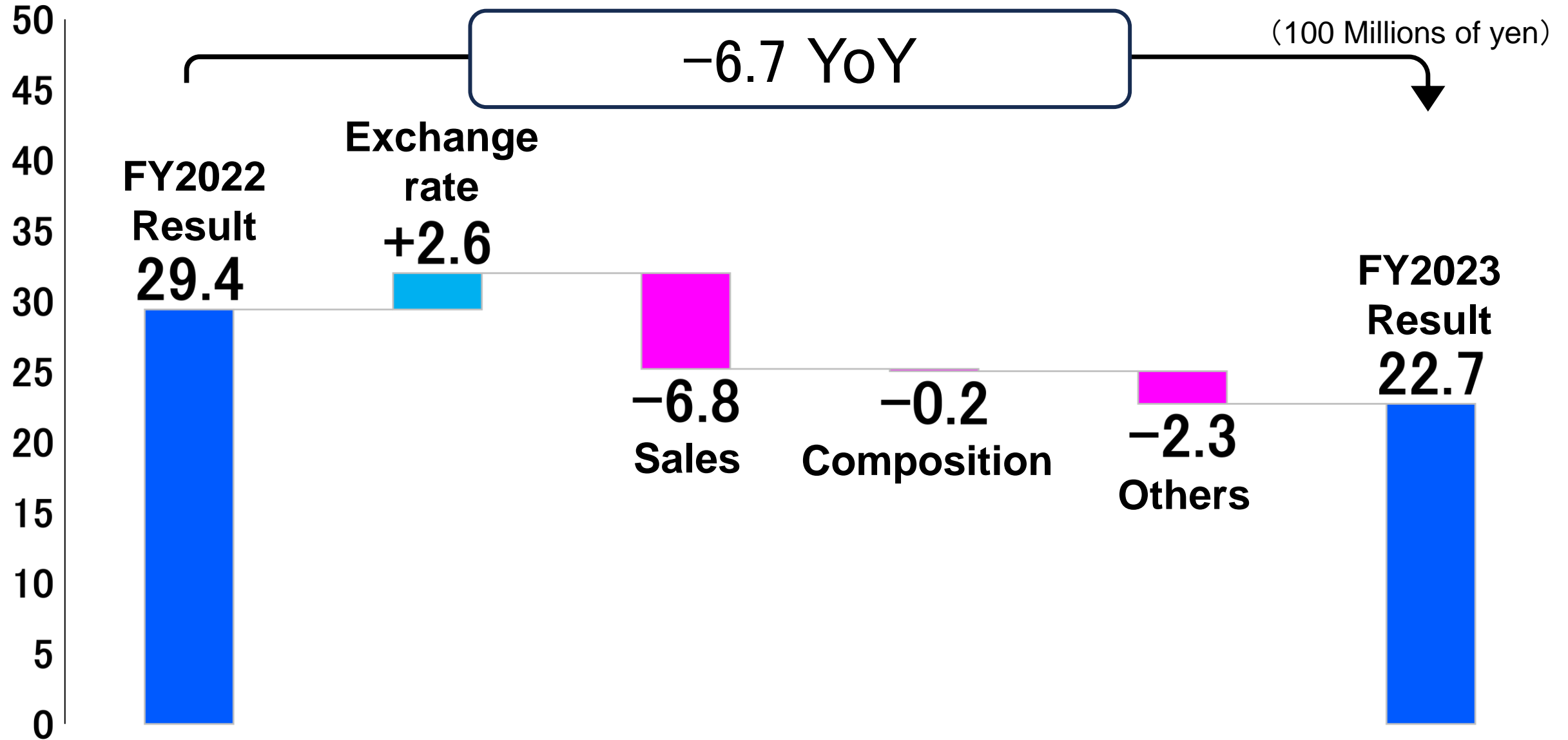
> **Industrial Equipment , Home Appliances , Information and Communication Equipment , Others market sales**

Decreased significantly due to prolonged inventory adjustment by customers and discontinuation of modules for display panels by specific customer in the industrial equipment.

	FY2022 Results		FY2023 Results		YoY Change	
		%		%	Amount	%
Automobiles	286.7	63.1	285.6	70.0	-1.1	-0.4
Industrial Equipment	61.9	13.6	46.3	11.3	-15.6	-25.2
Home Appliances	34.3	7.5	26.4	6.5	-7.9	-23.1
Information & Communication Equipment	11.2	2.5	6.7	1.6	-4.5	-40.4
Others	60.5	13.3	43.2	10.6	-17.3	-28.6
Total	454.6	100.0	408.1	100.0	-46.5	-10.2



Changes in Operating income (YoY)



Balance Sheet

- Total assets decreased JPY 1.33 Bn mainly due to decrease in Trade receivables and Inventories.
- Total liabilities decreased by JPY 4.33 Bn due to decrease in Trade payables and net decrease in Borrowings.

(Millions of yen)

	FY2022	FY2023	YoY Change
Current assets	30,132	29,029	-1,103
Cash and deposits	8,052	10,112	+2,059
Trade receivables	10,064	8,016	-2,047
Inventories	10,021	9,252	-768
Non-current assets	12,847	12,616	-230
Total assets	42,979	41,645	-1,334
Current liabilities	15,803	11,492	-4,311
Trade payables	7,737	5,736	-2,001
Short-term borrowings	5,690	3,856	-1,834
Non-current liabilities	10,068	10,046	-22
Total liabilities	25,872	21,538	-4,333
Total net assets	17,107	20,106	+2,999
Total liabilities and net assets	42,979	41,645	-1,334

- Net assets increased by JPY 2,999 million

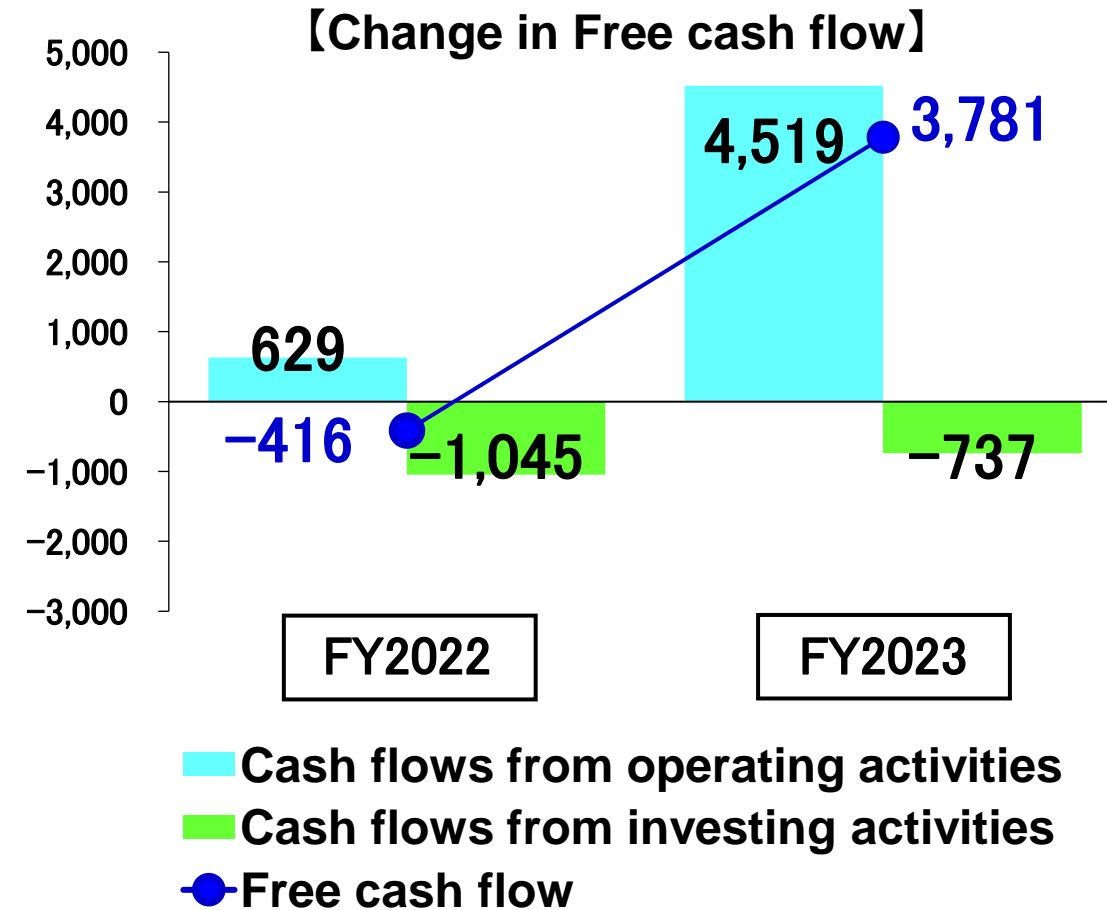
- Profit attributable to owners of parent +2,538
- Dividends from surplus -460
- Newly consolidated subsidiary +130
- Acquisition of treasury stock, etc. -294
- Foreign currency translation adjustments due to appreciation of Asian currencies against the yen +797

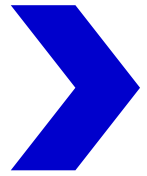
Cash Flows

- **Operating activities** Increase due to decrease in Trade receivables , Inventories and Trade payables.
- **Investing activities** Mainly due to the purchase of Non-current assets.
- **Financing activities** Decrease in borrowings , dividend payments and share repurchases.

(Millions of yen)

	FY2022	FY2023	YoY Change
Net cash provided by operating activities	629	4,519	+3,890
Net cash provided by investing activities	-1,045	-737	+307
Free cash flow	-416	3,781	+4,197
Net cash provided by financing activities	773	-2,476	-3,249
Cash and cash equivalents at end of period	6,253	8,018	+1,764





2. FY2024 Financial Forecast

- Business Environment
- Financial Forecast
- Sales Amount by Product
- Sales Amount Breakdown by Market
- Changes in Operating income (YoY)
- Capital expenditures/
Depreciation/R&D expenses

Business Environment

FY2023

◇ Global Economy

- The U.S.A. remained firm, supported by strong consumer spending. China slowed on the background of deteriorating real estate market conditions.
- While there was a recovery in demand in the service sector following the end of the COVID-19 pandemic, production of goods remained sluggish due to a reactionary downturn in stay-at-home demand.

◇ Electronics Market

- Demand for automobiles remained strong due to a recovery in production following the easing of semiconductor shortages.
- Inventory adjustments were protracted due to declining demand for smartphones, PCs, etc., and demand for electronic components was generally stagnant.

FY2024

◇ Global Economy

- Concerns about an economic slowdown due to inflation and monetary tightening in the U.S.A.. Uncertainty is expected to continue against a backdrop of heightened geopolitical risks in the Middle East and Ukraine.

◇ Electronics Market

- Continued growth in demand is expected due to steady vehicle production and accelerating growth in the xEV market.
- Inventory adjustment is expected to continue in the industrial equipment and consumer electronics sectors. However, Demand is expected to gradually recover in the second half of the year.

Financial Forecast

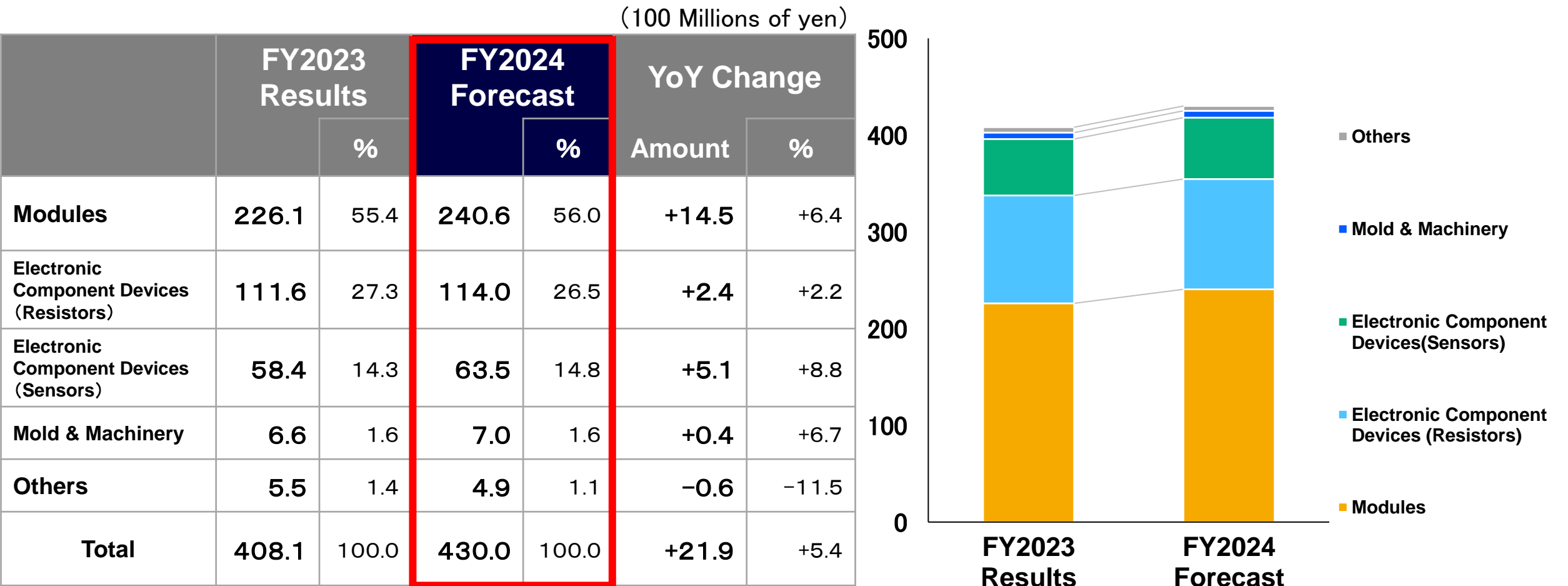
- Net sales: JPY 43.00 Bn +2.19 Bn YoY
- Operating income: JPY 2.70 Bn +0.43 Bn YoY

(100 Millions of yen)

	FY2023 Results	FY2024 Forecast	YoY Change	
			Amount	%
Net sales	408.1	430.0	+21.9	+5.4
Operating income	22.7	27.0	+4.3	+18.8
Ratio of operating income to net sales	5.6%	6.3%	—	—
Ordinary income	31.1	25.0	-6.1	-19.6
Profit attributable to owners of parent	25.4	18.0	-7.4	-29.1
Exchange rate (End of term) 1US\$=JPY	151.41	140.00	—	—

Sales Amount by Product

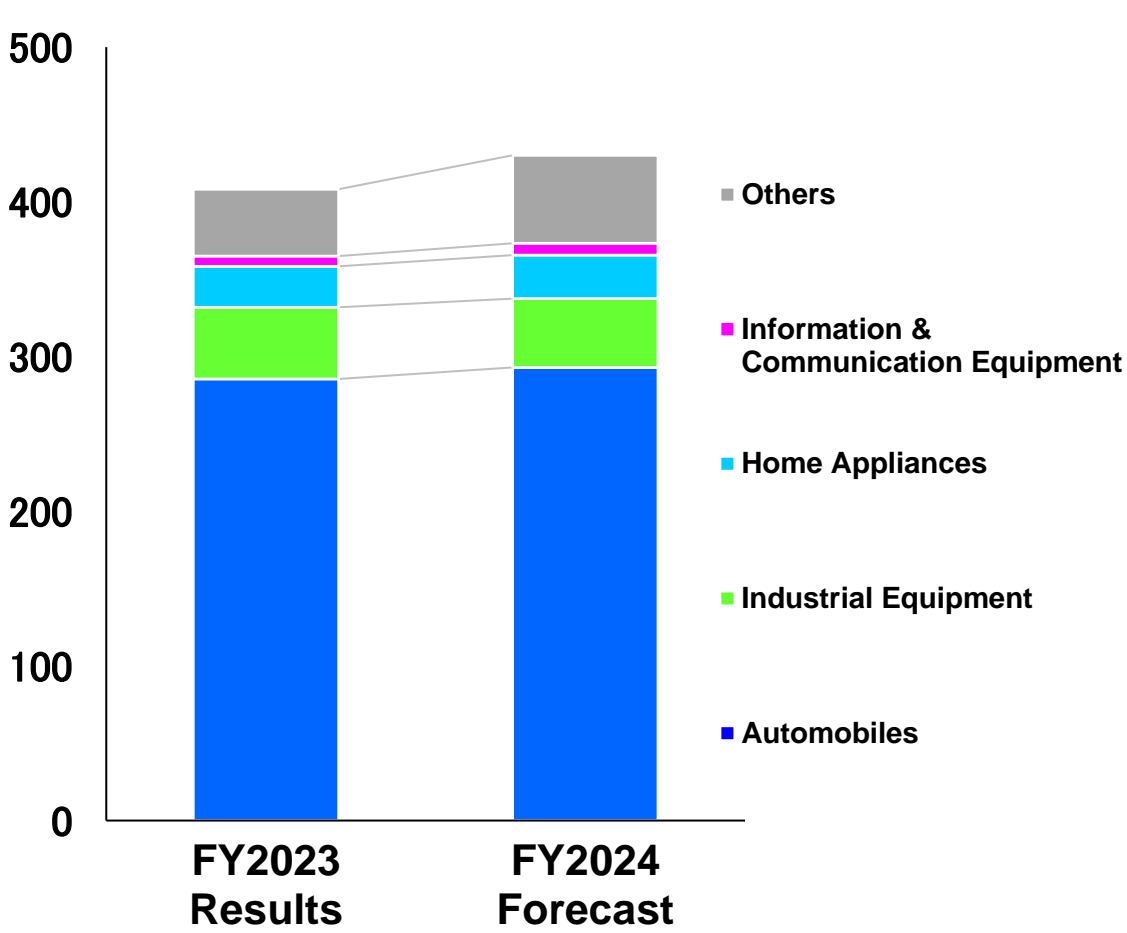
- **Module products** : Increase in new orders for environmentally friendly vehicles.
Sales JPY 24.06 Bn +1.45Bn YoY
- **Electronic Component Device products** :Overall demand is expected to recover moderately, with sensors and other products for automobiles and home appliances increasing. Sales JPY 17.75 Bn +0.75Bn YoY



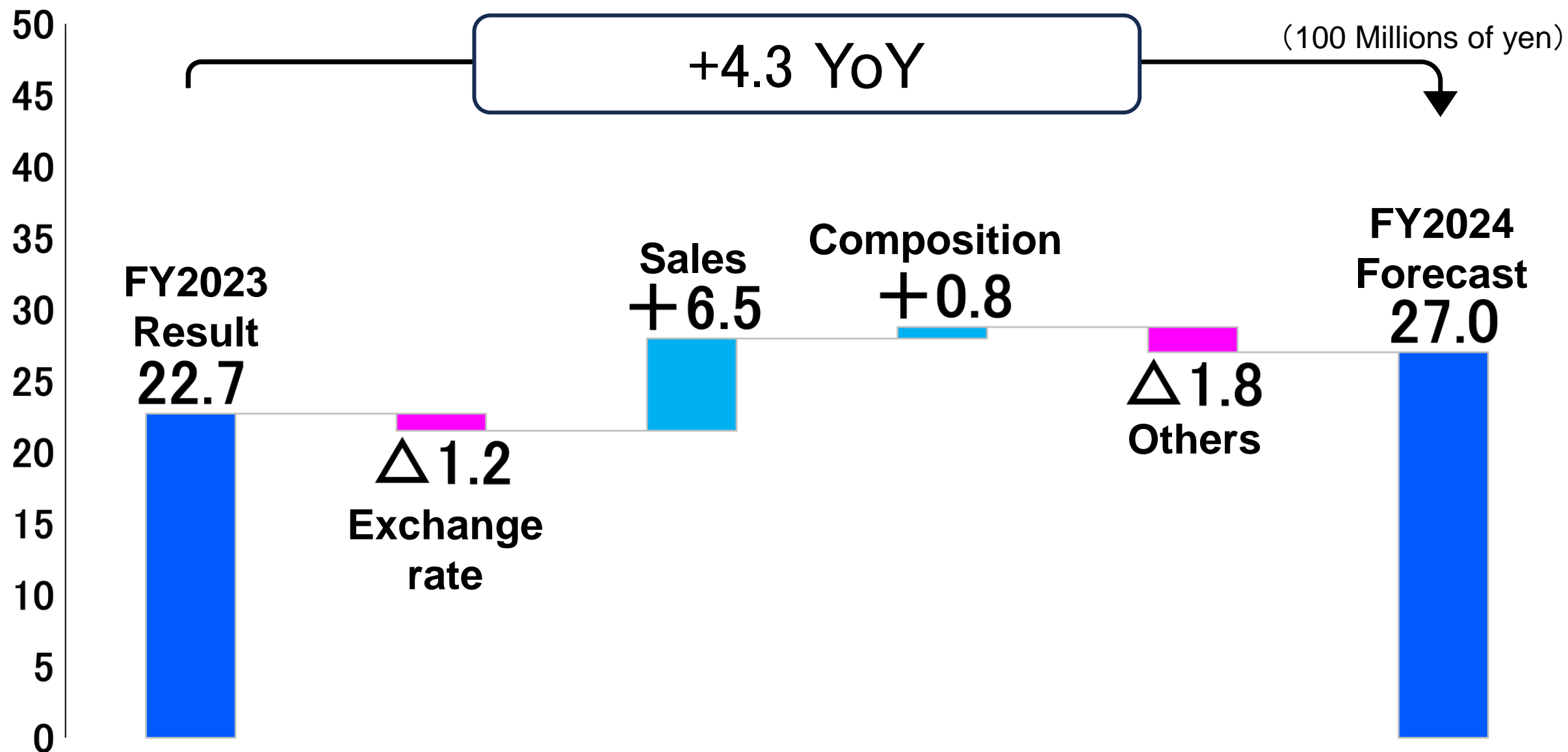
Sales Amount Breakdown by Market

- **Automobiles:** Increase in new orders for modules for electrical equipment of environmentally friendly vehicles.
- **Industrial Equipment:** Decreasing due to continued sluggish demand caused by inventory adjustments.
- **Others:** Increase in modules for new customers.

	FY2023 Results		FY2024 Forecast		YoY Change	
		%		%	Amount	%
Automobiles	285.6	70.0	293.0	68.1	+7.4	+2.6
Industrial Equipment	46.3	11.3	44.5	10.3	-1.8	-3.8
Home Appliances	26.4	6.5	28.0	6.5	+1.6	+6.1
Information & Communication Equipment	6.7	1.6	7.8	1.8	+1.1	+17.2
Others	43.2	10.6	56.7	13.2	+13.5	+31.2
Total	408.1	100.0	430.0	100.0	+21.9	+5.4



Changes in Operating income (YoY)

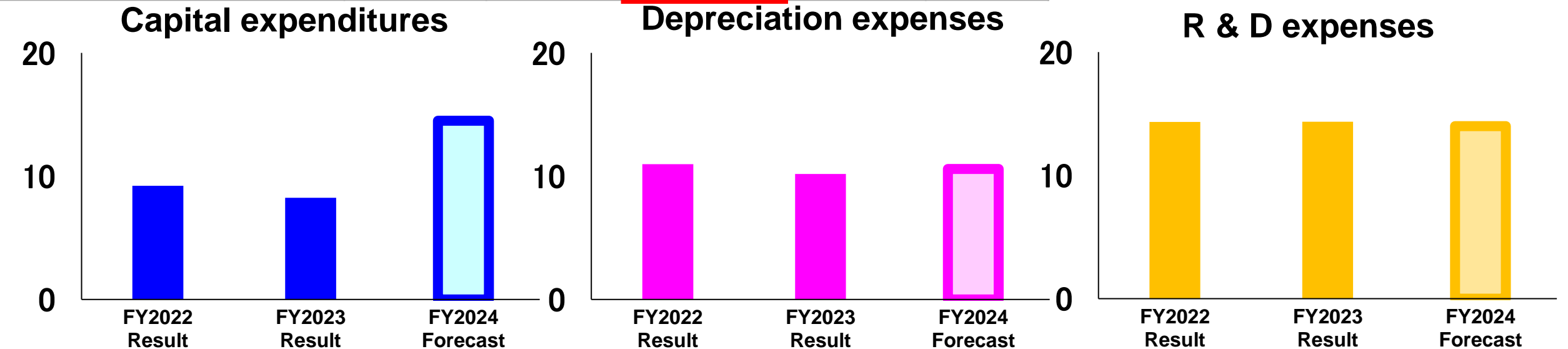


Capital expenditures/Depreciation/R&D expenses

- The increase in capital investment was mainly due to the expansion of bases and production facilities in ASEAN.
+0.62Bn YoY
- R&D will continue to focus on developing solution services/products for social problems and new sensors .
(100 Millions of yen)

	FY2022 Results	FY2023 Results	FY2024 Forecast	YoY Change	
				Amount	%
Capital expenditures	9.2	8.3	14.5	+6.2	+75.8
Depreciation expenses	11.0	10.2	10.6	+0.4	+4.1
R & D expenses	14.3	14.4	14.0	-0.4	-2.4

- **Main capital expenditures**
 - the expansion of bases and production facilities in ASEAN
 - DX,IT-related investments
 - Sustainability-related investments
- **Main R&D expenses**
 - Development of new sensors
 - Development of solutions for social problems
(Environmentally Friendly Products, IoT related products etc.)



3. Initiatives for Return to Shareholders and Enhancement of Corporate Value

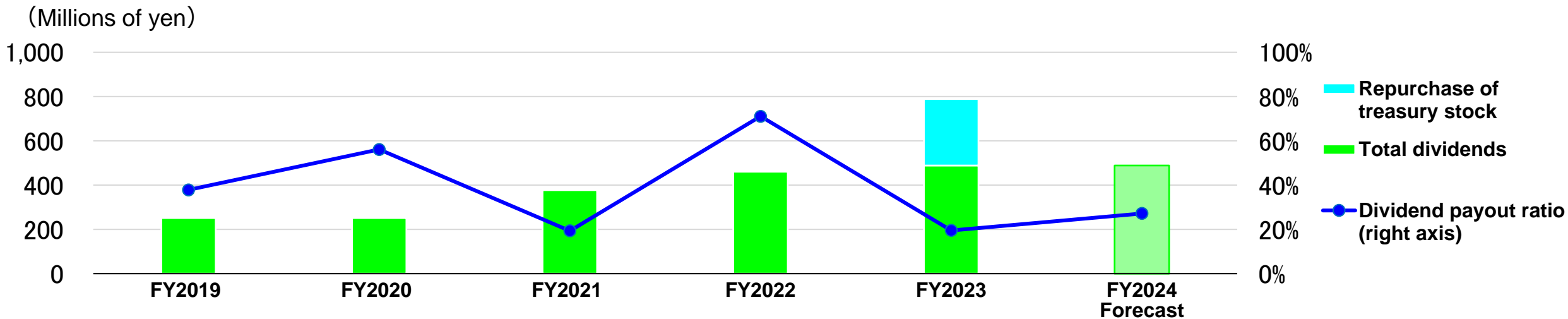
- Return to Shareholders
- Action to Implement Management that is
Conscious of Cost of Capital and Stock Price

Return to Shareholders

■ **Basic Policy** Continuation of stable dividends and Allocation of performance-based results.

■ **Annual dividend**

- **FY2023** Dividend of 60 yen per share, 5 yen up from the initial forecast.
- **FY2024** 60 yen per share, the same amount as the previous fiscal year, is planned.



	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 Forecast
Annual dividend per share(JPY)	30.00	30.00	45.00	55.00	60.00	60.00
Net income per share(JPY)	79.24	53.47	232.89	77.36	307.33	220.53

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

■ Initiatives to Enhance Corporate Value

Aim to increase ROE by improving profitability and enhancing Return to Shareholders.

Aim to achieve PBR of 1x or more, while building up expectations for growth.

① ROE 10% or more

- Improve profitability by expanding sales in new fields including environmentally friendly vehicles.
- Enhancement of Return to Shareholders.

② PER 10% or more

- Increase sales and stabilize performance.
- Strengthen Corporate Governance.
- Promotion of Sustainability Management.
- Strengthen Investor Relations.

■ Enhancement of Return to Shareholders

① Proactive return to shareholders. ② Enhancement of dividends from retained earnings.

③ Share buybacks are flexibly implemented.

	FY2022 Results	FY2023 Results	FY2024 Forecast
Net income per share (JPY)	77.36	307.33	220.53
Net assets per share (JPY)	2,043.56	2,463.43	2,624.06
dividend per share (JPY)	55.00	60.00	60.00
Dividend payout ratio (%)	71.1	19.5	27.2
Ratio of dividends to net assets(D O E) (%)	2.8	2.7	2.4
Purchase of treasury stock (Millions of yen)	—	299	—

The Company's policy is to distribute dividends from retained earnings based on both of the following indicators.

- Dividend on Equity (DOE) : 2.5% or more
- Dividend payout ratio : 20% or more

4. Efforts to Achieve the Medium- to Long-Term Vision

- **PLAN2024 Management Goal**

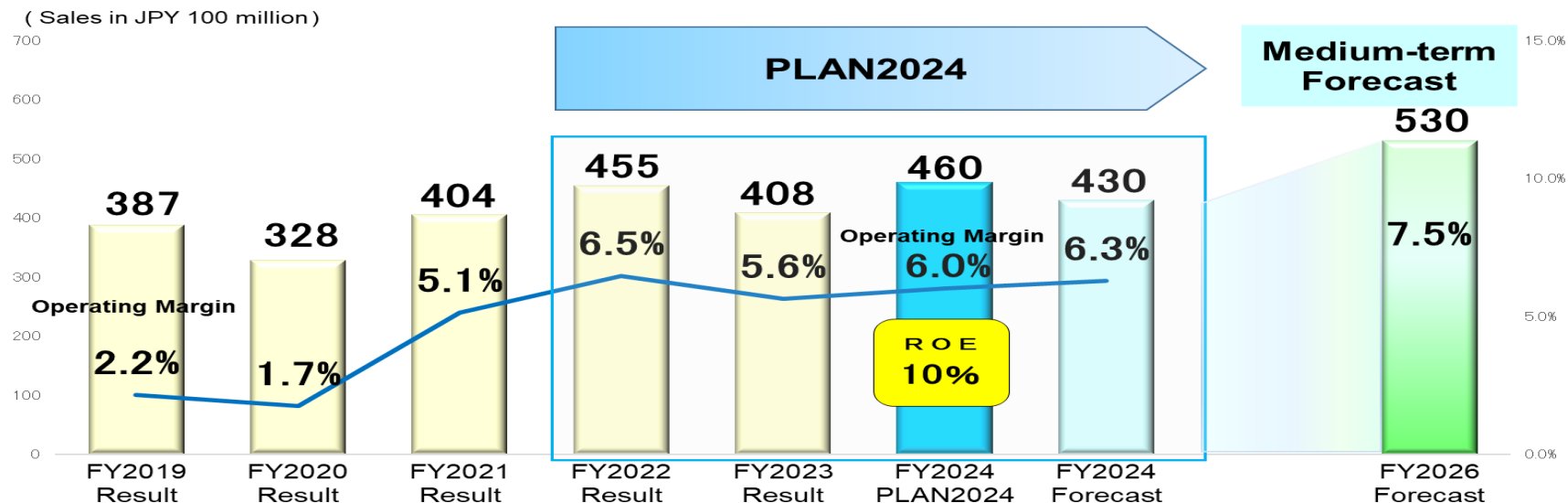
- ※PLAN2024 : Medium-Term Management Plan 2024

- **PLAN2024 Progress of Management / Business Strategy**

- ① Strengthening of core business
 - Efforts to expand sales
 - Reinforcement of production system at ASEAN
 - ② Strengthening of marketing and promoting of new commercialization
 - Development of environmentally friendly products
 - ③ Strengthening of the management base
 - Sustainability Efforts
 - Carbon Neutrality Efforts (Reduction of CO₂ emissions)

PLAN2024 Management Goal

	FY 2 0 2 2	FY 2 0 2 3	FY 2 0 2 4		(100 Millions of yen)
	Results	Results	P l a n 2 0 2 4	Forecast	FY 2 0 2 6
					Forecast
Net sales	455	408	460	430	530
Operating income	29	23	28	27	40
Ratio of operating income to net sales	6.5%	5.6%	6.0%	6.3%	7.5%
R O E	3.9%	13.6%	10.0%	8.7%	—
Exchange rate 1US\$ = JPY (Average exchange rate during the period)	135.58	143.45		140.00	



PLAN2024

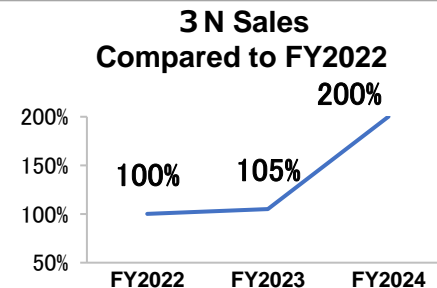
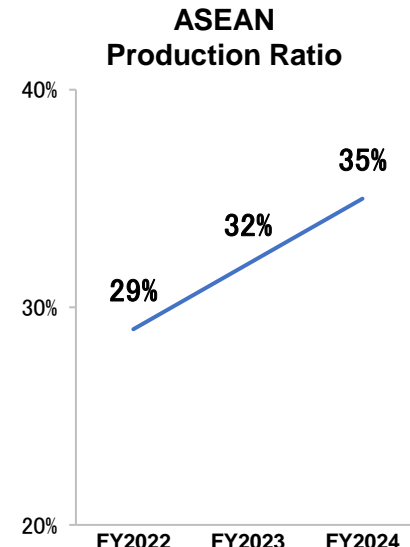


Factors of target unachieved

- Sluggish demand in the consumer electronics sector
- Prolonged customer inventory adjustments
- Lack of responsiveness to customer changes

PLAN2024 Progress of Management / Business Strategy

① Strengthening of core business

➤ Steadily implement Management / Business Strategy of PLAN2024 and link them to the next Medium-Term Management Plan (FY2025-2027).

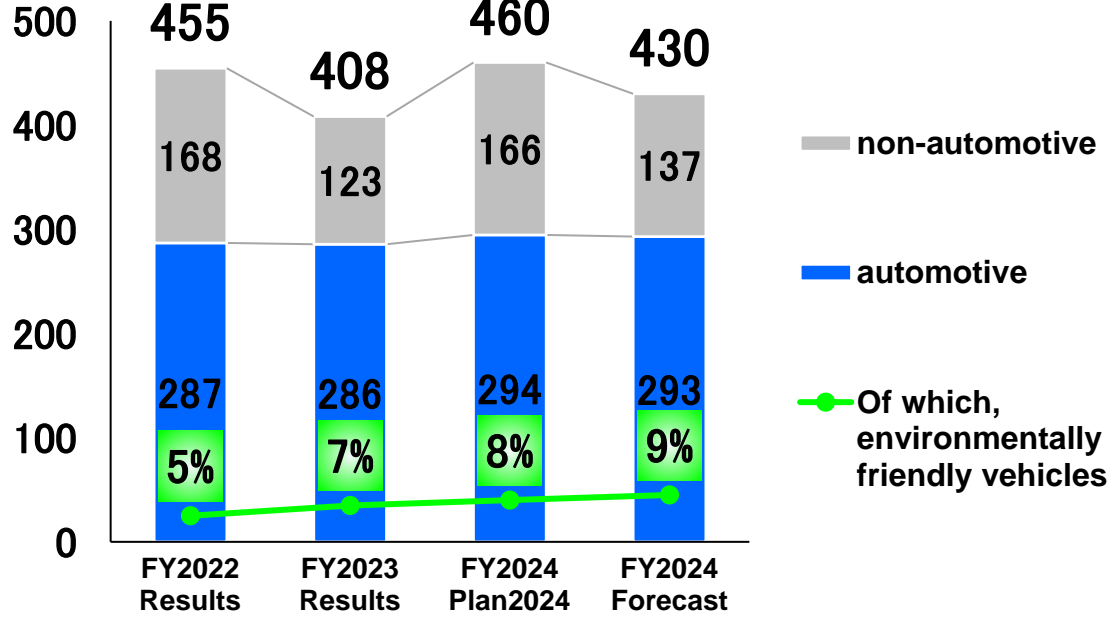
Management / Business Strategy	Progress									
①Strengthening of core business	<ul style="list-style-type: none">•Further expansion of new technologies (new products), new customers, and new fields, which we call 3N, is in progress.<ul style="list-style-type: none">➡ Expanding sales activities focusing on growth areas such as the automotive field. Expanding sales ratio for environmentally friendly vehicles.➡ 3N sales forecast compared to FY2022: 105% in FY2023, 200% in FY2024.	<div>3 N Sales Compared to FY2022</div>  <table><tr><th>Fiscal Year</th><th>3 N Sales Compared to FY2022 (%)</th></tr><tr><td>FY2022</td><td>100%</td></tr><tr><td>FY2023</td><td>105%</td></tr><tr><td>FY2024</td><td>200%</td></tr></table>	Fiscal Year	3 N Sales Compared to FY2022 (%)	FY2022	100%	FY2023	105%	FY2024	200%
	Fiscal Year	3 N Sales Compared to FY2022 (%)								
FY2022	100%									
FY2023	105%									
FY2024	200%									
	<ul style="list-style-type: none">•Strengthening the production system in ASEAN<ul style="list-style-type: none">➡ Thailand plant is expanded and added production lines. Expanding production transfer at the Malaysia plant is underway. ASEAN production ratio: 29% in FY2022, 32% in FY2023, 35% in FY2024.➡ In Indonesia, established a local production system by providing technology licensing to a local firm for piezoelectric products. Start of production in June.	<div>ASEAN Production Ratio</div>  <table><tr><th>Fiscal Year</th><th>ASEAN Production Ratio (%)</th></tr><tr><td>FY2022</td><td>29%</td></tr><tr><td>FY2023</td><td>32%</td></tr><tr><td>FY2024</td><td>35%</td></tr></table> <div><div>Manufacturing Sites and Products in Indonesia</div><div><div>Answer-back buzzer for motorcycles</div></div></div>	Fiscal Year	ASEAN Production Ratio (%)	FY2022	29%	FY2023	32%	FY2024	35%
Fiscal Year	ASEAN Production Ratio (%)									
FY2022	29%									
FY2023	32%									
FY2024	35%									

① Strengthening of core business

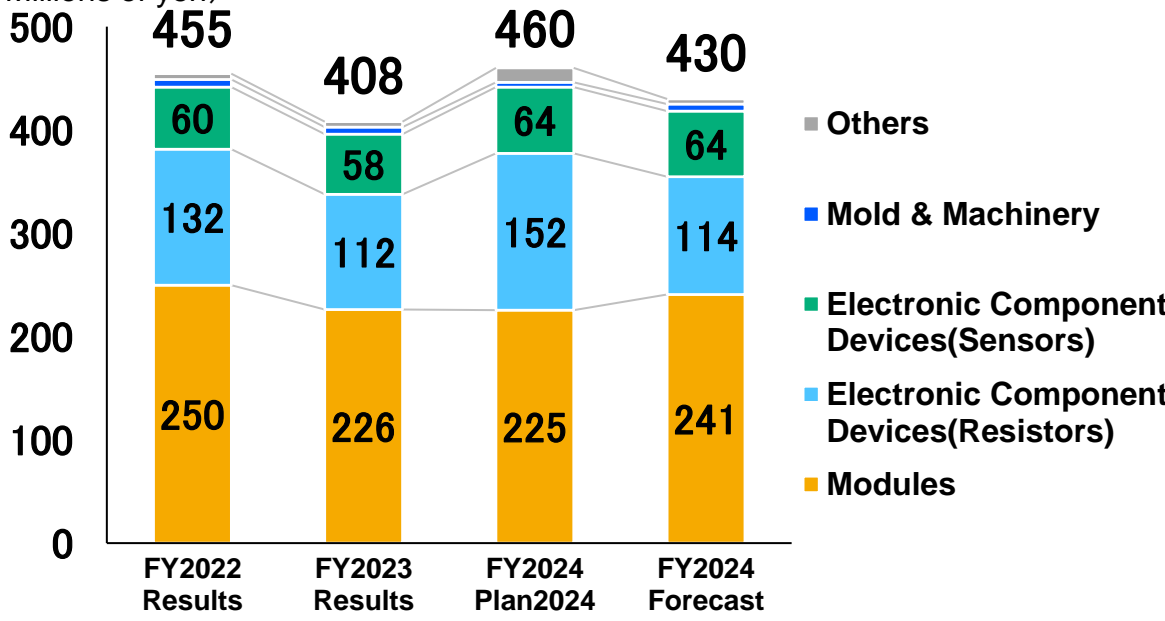
Efforts to expand sales

- 3.0 billion yen below the sales target of PLAN2024 due to sluggish demand in the consumer electronics field and changes in specific customers' trends.
- By Market : Expanding sales activities focusing on growth sectors such as automotive and industrial equipment .
Expansion of sales ratio for environmentally friendly vehicles.
FY2022 5 % ➡ FY2023 7 % ➡ FY2024 9 %
- By Product : Module products :Increase in new orders for environmentally friendly vehicles
Electronic Component Device products :Decrease in sales due to prolonged customer inventory adjustments

(100 Millions of yen) 【 Sales Amount Breakdown by Market 】



(100 Millions of yen) 【 Sales Amount by Product 】



Continue to expand sales of "3N" to new technologies (new products), new customers, and new fields, and link this to business growth.

① Strengthening of core business

Reinforcement of production system at ASEAN

➤ Establish a resilient production system centered on the ASEAN region, taking into consideration "stable supply, local production for local consumption, and sustainable business development."

◇ **Factory in Thailand**
Expanded the third factory
Operations began in June 2022
※ **Products : Module products**

F a c t o r y 3



Site Area : 6,414m²
Building Aea : 2,200m²

◇ **Factory in Malaysia**
Line expansion in FY2024
※ **Products : Piezoelectric Products**



◇ **Factory in Indonesia**
(Cooperative Factory)
Operations begin in June 2024
※ **Products : Piezoelectric Products**

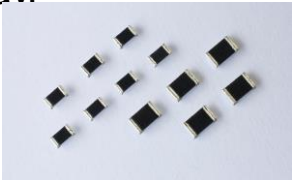


Currently promoting production expansion in the ASEAN region (Thailand, Malaysia, Indonesia)

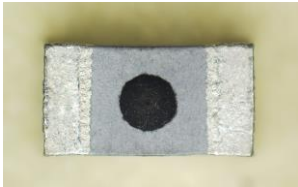
PLAN2024 Progress of Management / Business Strategy

②Strengthening of marketing and promoting of new commercialization

Management / Business Strategy	Progress
②Strengthening of marketing and promoting of new commercialization	<ul style="list-style-type: none">• Newly established STRATEGIC MARKET MARKETING DEPARTMENT to strengthen activities<ul style="list-style-type: none">➡ Marketing activities are underway to develop products to meet new demand.
	<ul style="list-style-type: none">• Promoting the development of decarbonisation-related products, EV shift and DX, is underway.<ul style="list-style-type: none">➡ Environmentally Friendly Products<ul style="list-style-type: none">Development of Sulfurization-proof Ultra-small (0603M) Chip Fixed Resistor➡ Products for Environmentally Friendly Vehicles<ul style="list-style-type: none">Release of the industry's first “ Arc Resistant Chip Fuse “➡ New Business Products<ul style="list-style-type: none">Release of "IoT of HOKURIKU"



Sulfurization-proof Chip Fixed Resistor



Arc Resistant Chip Fuse



IoT of HOKURIKU System for industrial vehicles

② Strengthening of marketing and promoting of new commercialization
Environmentally Friendly Products
Development of Sulfurization-proof Ultra-small (0603M) Chip Fixed Resistor

Scheduled for
release in FY2024

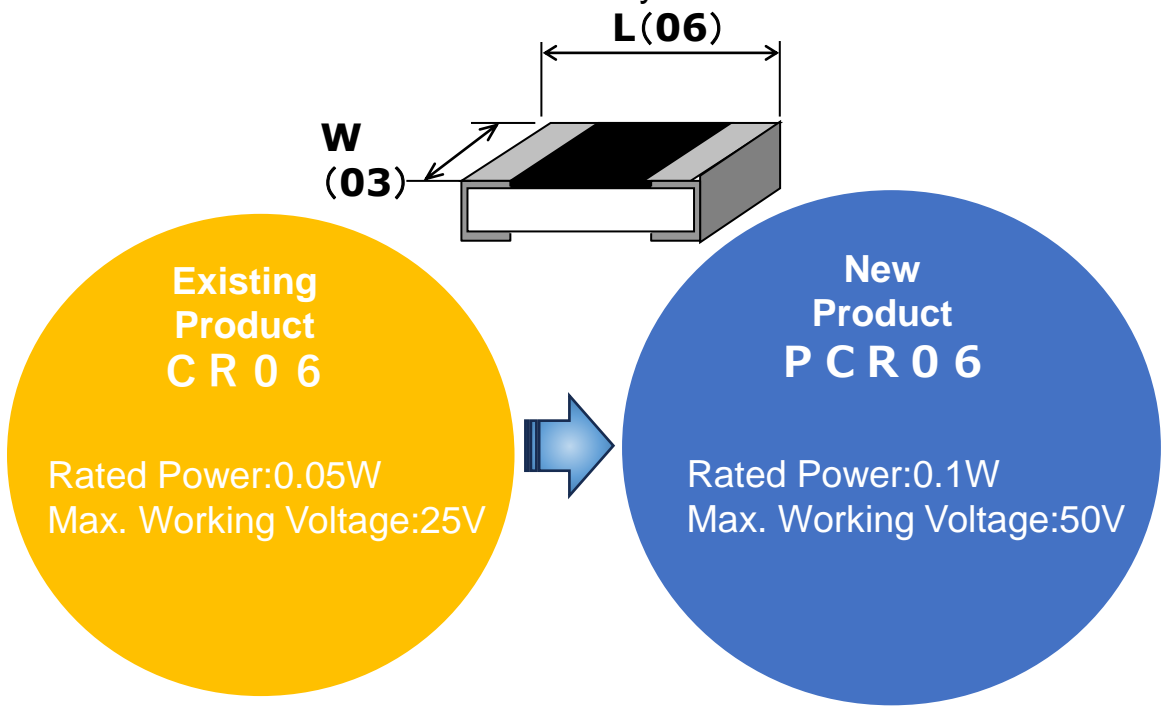
Social Issues to be solved : Reduction of greenhouse gases emissions (G X)

Market needs : Promote lighter and smaller products to CASE

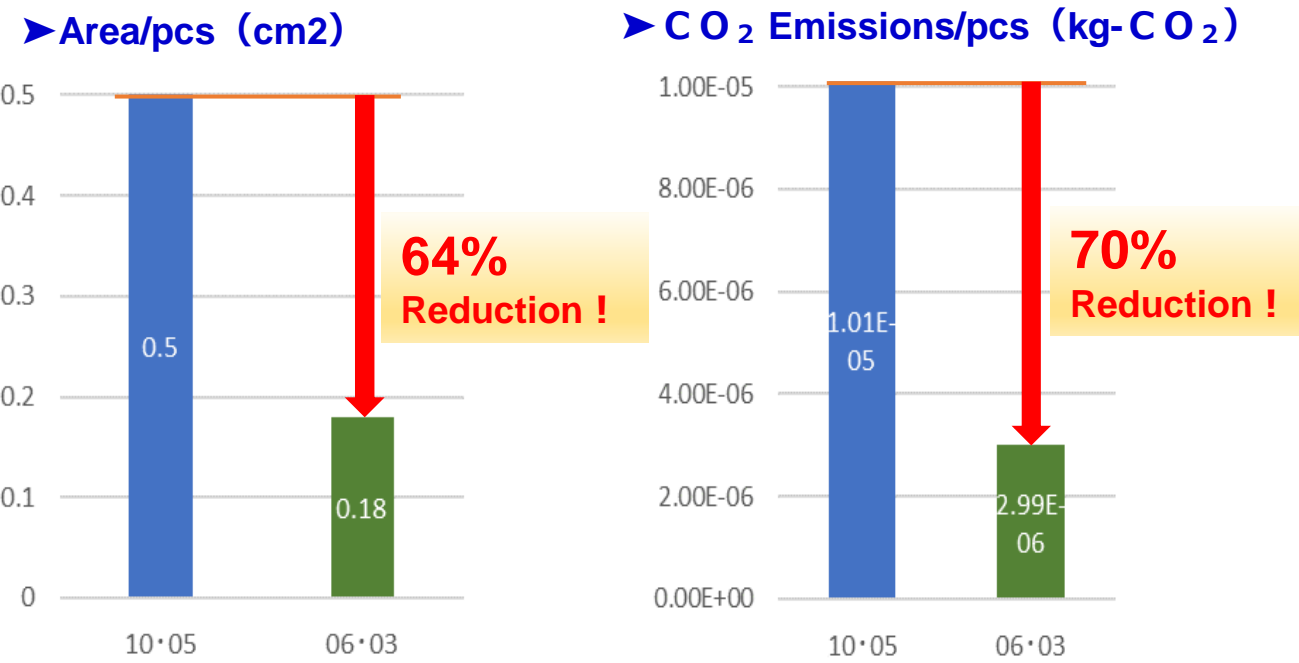
Our Efforts (Examples of New Product Development)

■ Development Efforts

Newly develop 0603M sizes with the same characteristics as the conventional 1005M sizes underway



■ Social Contribution Value



Value created per pcs

※Compared with conventional CR06 : Double the characteristics (Equivalent characteristics to 1005M !)

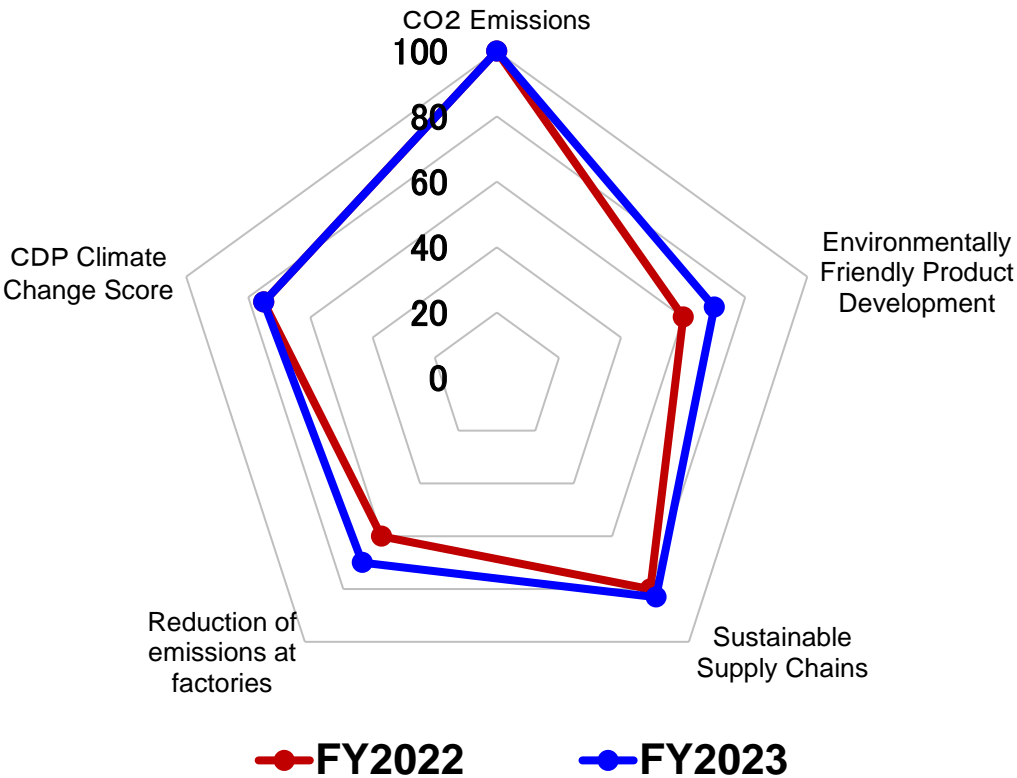


③ Strengthening of the management base Sustainability Efforts

➤ Accelerate sustainability efforts by identifying materiality at the Company

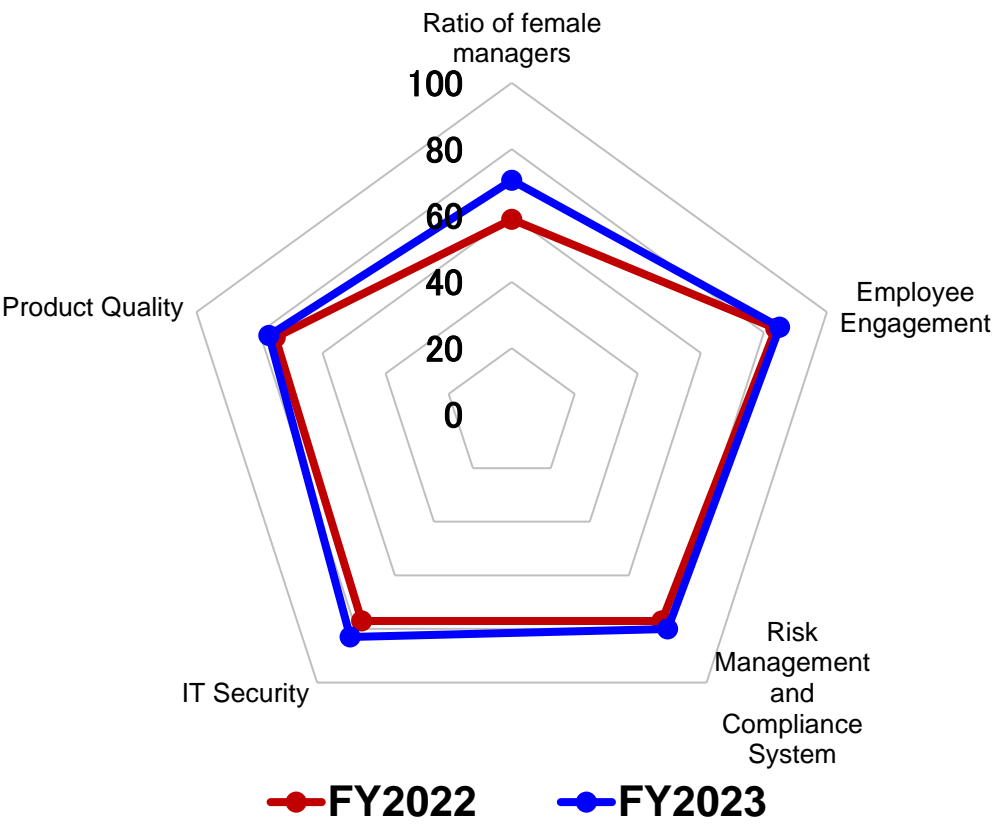
Environment(E)

Total Score
375 ➡ 398



Society(S)、Governance(G)

Total Score
372 ➡ 396



③Strengthening of the management base Carbon Neutrality Efforts (Reduction of CO₂ emissions)

Targets and Current Status:

- Domestic : FY2030 46% reduction (Compared to FY2017 result(Including renewable energy))
 - **FY2023 forecast 66% reduction, FY2024 Plan 67% reduction**
- Global : FY2028 23% reduction (Compared to FY2022 result(Including (not Including renewable energy))
 - **Currently promoting efforts to achieve targets, including three overseas plants**

■ Status of Main Efforts

1. Reduction of CO₂ emissions

- ① Introduction of renewable energy
 - In domestic bases, we have partially switched to renewable energy since July 2022.
 - Obtained third-party opinions on assessment of conformity with international principles, etc.
- ② Ongoing promotion of energy-efficient efforts
 - Reduction of power consumption at factory (production efficiency improvement, review of manufacturing conditions)
 - Upgrading to energy-efficient equipment, integrating/upgrading transformers, etc.

2. External Evaluation

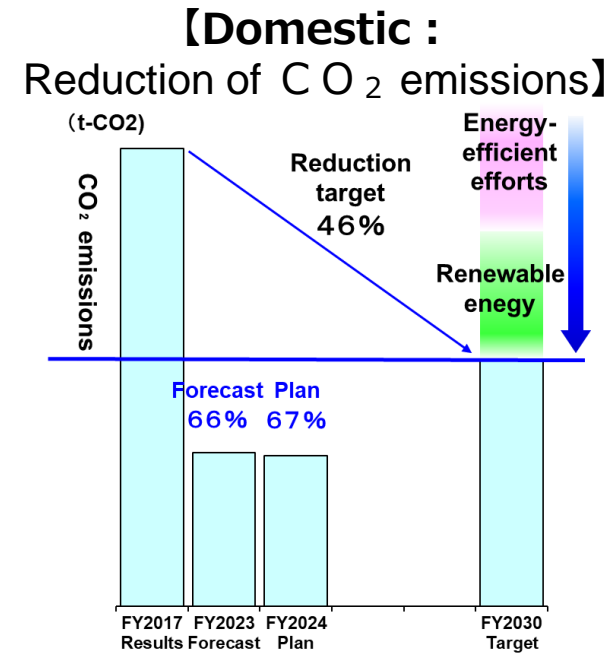
- CDP : Received a score rating of "C" in the Climate Change Questionnaire
- EcoVadis : Obtained sustainability rating



Renewable Energy Certificate① Renewable Energy Certificate②



Solar power generation system in resistor manufacturing plants



HOKURIKU ELECTRIC INDUSTRY CO., LTD



The business outlook described in this material was prepared by the Company based on the information available at the time of preparation of this material, but the results may differ significantly from actual performance due to various factors such as changes in the economic environment and volatile electronics market trends. Therefore, please refrain from relying entirely on the business outlook and target figures in this material. The Company is not liable for any loss that may occur as a result of using this material.